

Message Text

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14

ACTION SS-15

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 8928

INFO AMEMBASSY TOKYO

AMCONSUL MEDAN

C O N F I D E N T I A L JAKARTA 11516

FOR UNDER SECRETARY CASEY FROM AMBASSADOR GALBRAITH

E.O. 11652: GDS

TAGS: ENRG,EFIN,ID,JA

SUBJECT: USG INTEREST IN INDONESIAN LNG

REFS: A. STATE 187195; B. JAKARTA 11307

1. I APPRECIATE YOUR INFORMING ME OF DISCUSSIONS YOU AND SECRETARY SHULTZ HELD WITH INDONESIAN TRADE MINISTER RADIUS PRAWIRO IN TOKYO. RADIUS ALSO CONVEYED DESIRE FOR OFFICIAL STATEMENT OF USG INTEREST DURING MY DISCUSSION WITH HIM FOLLOWING HIS RETURN (SEE REF B). IN ADDITION TO NOTING YOUR STATEMENTS AS EVIDENCE USG INTEREST, I EMPHASIZED THAT U.S. EXIMBANK'S EXPRESSED WILLINGNESS TO ASSIST WITH FINANCING OF LNG PROVIDED FURTHER DIRECT EVIDENCE OF "OFFICIAL" USG INTEREST IN INDONESIAN LNG RESOURCES AND THEIR DEVELOPMENT.

2. MAIN THRUST OF RADIUS COMMENTS TO ME APPEAR RELATED INDONESIAN DESIRE TO SECURE MORE FAVORABLE FINANCING OF LNG DEVELOPMENT IN FORM SOFT LOANS FROM USG. THIS STEMS IN PART FROM EMPHASIS BY PRESIDENT SUHARTO AND OTHERS IN GOI ON MAXIMIZING LONG-TERM AND MINIMIZING COMMERCIAL
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CREDITS IN ORDER TO KEEP DEBT BURDENS AT LOWEST POSSIBLE

LEVEL DURING THESE CRITICAL YEARS OF INDONESIA'S DEVELOPMENT. I EXPECT WE WILL HEAR GREAT DEAL MORE ABOUT THIS IN COMING MONTHS. I AM GETTING EMANATIONS THAT INDONESIANS WHO, NOTING OUR ENERGY NEEDS, SEE POSSIBILITIES OF ARRANGEMENTS WITH US SIMILAR TO SOFT-LOAN FOR OIL DEAL THEY CONCLUDED WITH JAPAN LAST YEAR.

3. HOW WE APPROACH QUESTION OF WHETHER AND HOW TO ASSERT OFFICIAL USG INTEREST IN MARKETING OF LNG IN U.S. SHOULD BE DETERMINED BY CAREFUL APPRAISAL OF FOREGOING AND OTHER CONSIDERATIONS WHICH MAY BE INVOLVED. IT STILL UNCLEAR HOW AND WITH WHAT CRITERIA GOI WIL WEIGH APPROVAL OF PACIFIC LIGHTING AGREEMENT WITH PERTAMINA. IF IT SHOULD APPEAR THAT GOI WOULD OPPOSE APPROVAL OF AGREEMENT IN ABSENCE OF USG OFFICIAL INTEREST IN FORM MORE FAVORABLE FINANCING FROM U.S., WE WOULD BE IN NEW BALLGAME. IT IS TOO EARLY TO JUDGE THAT THIS ACTUALLY SITUATION WE FACE UNTIL WE HAVE BEEN ABLE TO GET FURTHER CLARIFICATION OF GOI VIEWS, NEGOTIATIONS WITH JAPANESE HAVE PROCEEDED FURTHER, ETC. I EXPECT APPOINTMENT WITH MINING MINISTER SADLI NEXT WEEK AND HOPE TO BE ABLE TO COMMENT FURTHER ON THIS SUBJECT AFTER TALKING TO HIM, PARTICULARLY ON POSSIBILITIES AND DESIRABILITY OF VISIT TO WASHINGTON BY RADIUS PRAWIRO OR OTHER INDONESIAN OFFICIAL FOR TALKS ON LNG.
GALBRAITH

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